

**STATE OF MONTANA
CORRECTIVE ACTION PLAN
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2001**

Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-1	10.557	Public Health and Human Services (PHHS) has implemented the additional procedures.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-2	Various	A fiscal policy memo has been issued by PHHS outlining the proper transactions to include in the CMIA interest obligation calculation spreadsheets. This policy memo was reviewed by the Department of Administration prior to issuance.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-3	Various	A workplan is in process to improve all areas of cash management at PHHS.	Marie Matthews, Fiscal Policy Advisor	March 31, 2002
Finding #2-4	12.404	The Department of Military Affairs purchasing card procedures have been in effect since April 1999. The procedures specifically address splitting charges to avoid purchasing limits. Every employee receives training from the Purchasing Card Coordinator prior to receiving his or her credit card. They also receive annual refresher training. The employee who made this mistake was given her initial training prior to receiving her purchasing card, as stated in the Department procedures. She attended her purchasing card refresher training January 9, 2002.	Gail Dreher, Accountant	Corrected at time of audit
Finding #2-5	14.239, 14.871, 14.855	Federal Circular A-87 have been provided to appropriate staff in the Housing Division.	Connie Onstad, George Warn, Housing Division	Implemented
Finding #2-6	14.239	Grantees must provide program income plans before funds are released.	Connie Onstad, Home Program Manager	Implemented
Finding #2-7	15.904	The Montana Heritage Commission reversed the \$250, \$77, and \$13,409 charges identified in this finding. In addition, all future equipment purchased that is used by both the State and Federal projects will be adjusted for cost share at 10% and 90% respectively. To ensure that all future purchases under this Federal grant are allowable, staff responsible for purchasing have obtained and studied pertinent OMB Circulars and are following these requirements closely.	Jeff Tiberi, Executive Director, MT Heritage Commission	Completed

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Finding #2-8	66.458, 66.468	Department of Environmental Quality (DEQ) has submitted Federal Cash Transaction Reports to the U.S. Department of Energy. The U.S. Department of the Interior does not require the reports due to the electronic cash draw system that it uses. DEQ has requested an exemption from our oversight agency, EPA, and we are awaiting their disposition. As the department goes to electronic cash draws our records are reconciled with the federal agency, enabling all to work from the same database thereafter. This diminishes the need for the reports.	DEQ Internal Auditor	Request submitted November 2001
Finding #2-9	15.252	The DEQ is complying with this recommendation. Division Administrators and CSD are reviewing all contracts to ensure that the reimbursement clause is reasonable and will not create a cash flow problem for the agency. As an example, include the ability to bill incrementally as work is completed rather than when the project is completed.	Centralized Services Division Administrator	This was completed in April of 2001.
Finding #2-10	15.605, 15.611	The amount available, to be requested to be drawn down, comes from an Excel spreadsheet that used a clearance pattern of 4 days. The spreadsheet was corrected to use a clearance pattern of 6 days.	David Clark-Snustad, Accountant, FWP	Corrected at time of audit
Finding #2-11	15.904	The Montana Heritage Commission (MHC) made a request to the National Park Service (the federal granting agency), to amend the grant agreement so that it reflects the grantor agency's intent in relation to cash management. This request also clarified MHC's intent for the agreement to address the interest issued raised in the audit. Also in the request, MHC agreed to request that the legislature pay back interest to the National Park Service with general fund monies if an agreement could not be reached in a reasonable time frame. Bob Spude and Joe Wallis from the National Park Service responded that the interest may be kept by the State of Montana.	Jeff Tiberi, Executive Director, MT Heritage Commission	Completed
Finding #2-12	Various	The Department of Labor and Industry negotiated with the U.S. Department of Labor for a reduction of its CAP rate from 7.69% to 4% effective January 26, 2001. Based on this rate reduction, the department was able to bring the fund balance within the allowable 60-day limit by the end of fiscal year 2001. Fiscal year 2001 expenditures totaled \$1,549,770, which allowed the department a 60-day cash reserve of \$258,295. The fund balance in the CAP fund at June 30, 2001 was \$256,891. The department continues to monitor the working capital balance in its CAP fund on a monthly basis.	Gary Warren, Fiscal Support Bureau	June 30, 2001

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-13	17.225	The Department of Labor and Industry is continuing to work with Department of Revenue (DOR) in preparing and submitting the ETA 581 reports. The ETA 581 reports have been submitted for the quarters ending March 31 and June 30, 2000. DLI is now waiting for the ETA 581 reports for quarters ending September 30, 2000, December 31, 2000, March 31, 2001, June 30, 2001, September 30, 2001 and December 31, 2001. At this time there are six quarters worth of delinquent ETA 581 reports. As of the January 23, 2002 POINTS update, the DOR was still reviewing the ETA 581 output for the quarter ending September 30, 2000.	Annette Rinehart, UI Division	Ongoing
Finding #2-14	17.207	Based upon the Legislative Audit Division audit recommendation and guidance from OMB Circular A-87, the department applied the real estate sale proceeds against future bond payments. Revenues from the sale proceeds were fully recognized by September 27, 2001.	Tammy Prout, FSB	Completed as of September 27, 2001
Finding #2-15	17.225	The Clearing account, the Unemployment Insurance Trust Fund and the Benefit account are reconciled on a monthly basis. The Clearing account and the UI Trust Fund match the statements. The Benefit account is still a work-in-progress as several processes have changed during state fiscal year 2001. MISTICS was put in place in April 2001 and the new system generates entries directly to SABHRS. There are rounding differences, manual entries for stale dated checks and verification of stop pays and cancelled warrants still being reviewed to verify which ones have been recorded and which still need recording on SABHRS. As of state fiscal year end 2001 there is approximately \$100,000 that has not been reconciled on the UI Benefit account. Consequently, this continues to be a reconciling item each month. The department is working to have the \$100,000 reconciled by June 30, 2002.	Annette Rinehart, UI Division	June 30, 2002
Finding #2-16	17.225	The Department of Revenue is following state policy for expenditure accruals as defined in Management Memos under the Montana Operations Manual.	Lynn Chenoweth, Administrator Resource Management	Implemented
Finding #2-17	17.225	The Department of Revenue is following federal standards to ensure Unemployment Insurance receipts are deposited timely to the federal UI Trust Fund. Modifications will be explored as needed to comply with federal requirements.	Neil Peterson, Administrator Customer Service	Procedures implemented March 2001

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-18	20.205	This will be nominated as a process improvement project to the Administrative staff at the Department of Transportation. The Accounting Services Bureau will develop and implement procedures during fiscal year 2002 to identify the offices that are sub-granting federal monies, and determine that those programs are in compliance with OMB Circular A-87.	Gordon McGaw, Admin. Division	June 30, 2002
Finding #2-19	66.458, 66.468	Discussion has taken place with the Legislative Audit Division on recommended language. Language now Incorporated in Officer's Certificate. DEQ engineer checklist will verify contractor compliance.	Anna Miller, Financial Advisor, DNRC	February 2002
Finding #2-20	Various	The Department of Environmental Quality (DEQ) has evaluated different methodologies for calculating leave liability, and proposed our preferred methodology to EPA, which is the federal agency that provides DEQ the most grant funds and negotiates on behalf of all federal agencies. DEQ is awaiting final approval of the request, which is expected soon.	Centralized Services Division Administrator	Request submitted November 2001
Finding #2-21	84.038	Effective immediately, MSU's Loan Service Center personnel will review all reports obtained from the service provider's independent auditor. Instances of non-compliance will be reported to the Controller and to the Financial Aid Director, and necessary corrective action will be taken.	Laura Humberger, Comptroller MSU Bozeman	Ongoing
Finding #2-22	93.778	Procedures exist outlining the security responsibilities of the MMIS coordinator, the procedure will be strengthened to improve its effectiveness and to ensure turnover does not hamper its operation.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-23	93.778	Medicaid receipting practices will be reviewed to ensure compliance with federal regulations.	Marie Matthews, Fiscal Policy Advisor	March 31, 2002
Finding #2-24	93.959	PHHS will review alternative funding sources for the advance.	Marie Matthews, Fiscal Policy Advisor	March 31, 2002
Finding #2-25	Various	PHHS will review its record retention guidance to ensure supporting documents are maintained.	Marie Matthews, Fiscal Policy Advisor	March 31, 2002

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-26	93.563	While the CSED strives to validate 100% of these SSNs, this is a difficult, if not impossible, task. On average, the CSED opens 575 new cases each month. Often, the applicant will not know the SSN of the absent parent and, therefore, will be unable to provide this information to the CSED on the application. It would not be justifiable or allowable for the CSED to deny child support services simply because the applicant does not know the absent parents SSN. CSED will open the case on SEARCHS, but leave the SSN information blank. After loading the case, the CSED will take action to find the SSN through several steps. Typically, with the absent parents name and date of birth, the CSED will be able to successfully identify the SSN by accessing its locate tools through a name search. There are, however, instances when the CSED does not know the name, correct or full name, or date of birth of the absent parent. In circumstances where the name of the absent parent is unknown, the CSED will conduct an in-person interview with the applicant in an effort to gather additional locate information for the case.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-27	Various	PHHS will review and make improvements to our system security and risk review plan and its documentation.	Marie Matthews, Fiscal Policy Advisor	December 31, 2002
Finding #2-28	Various	PHHS will review the contracting process to ensure the proper language is included in new and amended contracts.	Marie Matthews, Fiscal Policy Advisor	April 30, 2002
Finding #2-29	93.959	Additional accounting methods are being implemented to track earmarked expenditures and ensure payments are properly obligated or paid.	Marie Matthews, Fiscal Policy Advisor	June 30, 2002
Finding #2-30	93.558	Procedures for ensuring wage verification should be completed by year end.	Marie Matthews	June 30, 2002
Finding #2-31	93.563	Presently, all child support orders administratively established by the CSED contain a medical support provision. However, not all support orders issued by Montana District Courts contain a Medical support provision. During the 2001 legislative session, the CSED pursued legislation amending our authority to administratively modify district court child support orders, in compliance with the Seubert v. Seubert decision of the Montana Supreme Court, issued August 31, 2000 and clarified November 30, 2000. The legislation was effective July 1, 2001. Based on this legislation, the CSED has recently implemented procedures to, again, pursue the review and modification of child support orders issued by a Montana district court. With this ability, the CSED will be able to have medical support obligations incorporated into orders through the review and modification process.	Marie Matthews, Fiscal Policy Advisor	Completed

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-32	93.563	PHHS continues work on the accuracy and completeness of TEAMS/SEARCHS interfaced data. Procedures are in place to monitor and correct interface discrepancies until long term solutions are developed. The department has completed a review of all public assistance cases identified as referred by TEAMS and worked with TRW to ensure the electronic referral was received by SEARCHS. The department is currently reviewing a report of TEAMS Medicaid cases to ensure all appropriate referrals are made to SEARCHS. The Department continues to work diligently to identify and pay all excess reimbursed public assistance amounts to custodial parents. Progress has been slowed by significant data processing issues and programming resource constraints but the department commits to reconcile the potentially owed report and refund all appropriate entities.	Marie Matthews, Fiscal Policy Advisor	Ongoing
Finding #2-33	93.563	The CSED Fiscal Operations Section has begun actively investigating and responding to all payments on the exceptions reports. Policies and procedures will be developed to address all types of situations identified via the reviews, including issuing a problem report should SEARCHS programming be necessary.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-34	93.667	This activity is included in the financial control structure work plan.	Marie Matthews, Fiscal Policy Advisor	March 31, 2002
Finding #2-35	93.044, 93.045	The ASB staff and the Area Agency on Aging Directors have agreed this is a priority for the remaining two years of Montana's current State Plan on Aging. ASB staff have an Ombudsman sub-committee of the Governor's Advisory Council on Aging to help address this issue. ASB staff are looking for other resources such as Medicaid to help meet this need.	Marie Matthews, Fiscal Policy Advisor	April 30, 2002
Finding #2-36	93.044, 93.045	While PHHS agrees with the recommendation that ASB staff needs to review the methodology area agencies use to allocate funding and will incorporate this into the next four year Area Plan format as well as our next area agency assessments, we do not agree that dictating how Area Agencies distribute funds to their counties or projects is appropriate nor does the Older Americans Act require such control.	Marie Matthews, Fiscal Policy Advisor	June 30, 2002
Finding #2-37	93.775	Upon receiving future program income, the Department of Justice (DOJ) will deposit the funds in an interest bearing account. This account has been established with the Board of Investments. DOJ is working with the Department of Administration to return the \$3,200 of lost interest earnings from the general fund to the federal fund. Federal approval has been received to spend the interest earnings.	Karen Munro, Assistant Administrator	Implemented

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-38	93.775	Cash draws will be done on a monthly basis at a minimum and will be done in compliance with federal regulations.	Karen Munro, Assistant Administrator	Implemented
Finding #2-39	93.775	The Department of Justice has revised travel cost allocation procedures to ensure compliance with the grant. The federal government has decreased the grant award for funding by \$381 for the travel cost violation.	Loraine Shepard	Implemented
Finding #2-40	Various R & D	University personnel completed a leave assessment study in February 2001 that supports the current rates being utilized by Montana Tech of The University of Montana. Personnel will further refine their procedures and annually review leave assessment rates to ensure validity.	L. Job, Director Grants and Contracts	February 2001
Finding #2-41	Various R & D	The University will implement procedures by June 30, 2001 that include sponsored program personnel monitoring completed time and effort reports to ensure compliance with applicable policies and procedures. Notification will be sent to departments who are not in compliance. Sponsored program personnel will also conduct periodic departmental reviews beginning in fiscal year 2002 reiterating time and effort reporting procedures. The University will also annually distribute memos to principal investigators reminding those employees of their responsibility in certifying time and effort and the procedures. The department in question will have the time and effort reports recertified by someone who has direct knowledge of the time/work performed.	C. Carlson, Associate Vice President for Research	June 2001 with implementation of departmental reviews occurring in fiscal year 2002.
Finding #2-42	17.253	The Department of Labor and Industry concurs the expenditures recorded on the state's accounting records at June 30, 2001 for the Welfare-to-Work grant were greater than the amount awarded the department. However, the federal award is effective through August 29, 2002 and therefore, the department is still within an acceptable timeframe to make the appropriate corrections to its accounting records. With the exception of direct client benefits, all other activities are allowable costs under the Wagner Peyser, or state ESA funding sources, meaning these costs can be charged to either of these funding sources. Benefit payments did not exceed the Welfare to Work funding, rather the excess expenditures were caused by direct staff costs. Field staff have been instructed to direct charge their time for allowable activities to applicable programs whenever they are working with eligible clients for that program. When total program costs exceeds a contract award, the staff costs are transferred into the Wagner Peyser grant or state ESA funding sources.	Gary Warren, FSB Mark Bowld, WSD	March 31, 2002

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-43	10.551, 10.561	A new process is in place and staff has been cross-trained.	Marie Matthews, Fiscal Policy Advisor	Completed
Finding #2-44	Various	The department is reviewing both the TEAMS and CAPS reports to identify and remove unnecessary reports.	Marie Matthews, Fiscal Policy Advisor	June 30, 2002
Finding #2-45	10.555, 81.010, 84.027, 84.078	The Office of Public Instruction contacted the four counties that were, at the time of the audit, still receiving their funds by warrant rather than electronic funds transfer (EFT). Three of those counties now accept EFT payments; Gallatin county is our only hold out. We continue to call and write the Gallatin County Treasurer, asking that she reconsider.	Julia Dilly , FSB Administrator	July 1, 2002
Finding #2-46	17.225	The Department of Revenue will modify the department's computer system to transfer the Unemployment Insurance experience rating from previous employers to successor employers, thereby ensuring rates are calculated properly.	Jeff Miller, Administrator, Policy Management	Implemented March 2002
Finding #2-47	Various	A workplan is in process to improve all areas of financial control.	Marie Matthews, Fiscal Policy Advisor	December 31,2002
Finding #2-48	Various	The department has established work groups to review reconciliation activities and establish additional procedures as necessary per system. Systems have been prioritized according to risk and are being addressed in that order.	Marie Matthews, Fiscal Policy Advisor	June 30, 2002
Finding #2-49	Various	The Department of Environmental Quality developed and adopted a written Financial Management Control Plan. Agency provides training on policies and procedures and has improved its new employee orientation process to promote the policies and procedures and the information available on the department's Intranet. Fiscal Management Bureau staff have established desk manuals.	Centralized Services Division Administrator	April 2000
Finding #2-50	Various	The Department of Environmental Quality developed and implemented written policy and procedures on cash management. In April of 2001 the electronic cash receipting log and chain of custody record were implemented and staff was trained on the system.	Centralized Services Division Administrator	April 2000
Finding #2-51	84.243	The Office of Commissioner of Higher Education's Director of Accounting and Budgeting will approve all fiscal yearend-adjusting entries. Tech-Prep Consortium will pay all presenter fees, as required by federal regulations.	Jackie Grenfell, OCHE Federal Accountant	March 1, 2002

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Finding #	CFDA #	CAP- Corrective Action Plan	Person Responsible for CAP	Target Date
Finding #2-52	84.032	The Guaranteed Student Loan Program (GSLP) will completely implement the changes recommended. The lender that was not reviewed is located out of state. GSLP converted to a new student loan software system during the fiscal year that put significant constraint on staff time to travel out of state. The out-of-state lender is a national student loan lender who has been reviewed by at least one of the 36 national guarantee agencies. Montana is working with the US Department of Education and other guarantee agencies to restructure the lender review process to allow a "single audit" and eliminate the requirement for every one of the 36 national guarantee agencies to review national lenders. MGSLP is scheduling a program review for the lender identified in the audit report. This program review should be completed no later than July 1, 2002.	Karen Wing, GSLP Controller	July 1, 2002
Finding #2-53	12.404	The use of these funds was an isolated, one time incident. The Department of Military Affairs will ensure that the program has the appropriate funding in the future.	Randall Mosley, Deputy Director, and Department of Military Affairs	Ongoing
Finding #2-54	10.555	The Office of Public Instruction (OPI) has now employed a sufficient number of professionally qualified staff to conduct on-site reviews in accordance with USDA regulations governing the National School Lunch Program. By maintaining a sufficient number of qualified staff, the OPI can conduct reviews in a timely manner and ensure that documentation of the reviews is completed and retained. The current plan for on-site reviews places the OPI on schedule for meeting the corrective plan of by June 30, 2003. This plan will be continued through June 30, 2008.	Chris Emerson, Director of School Nutrition Programs, Office of Public Instruction	June 30, 2003